

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO**

Criminal No.

UNITED STATES OF AMERICA,

Plaintiff,

v.

**1. SARAH HUME,
aka Darce Hume,**

Defendant.

INFORMATION

**15 U.S.C. §§ 78m(b)(2)(A); 78m(b)(5); and 78ff;
17 C.F.R. § 240.13b2-1;
18 U.S.C. § 2**

The United States Attorney charges:

At all times pertinent to this Information:

I. BACKGROUND

1. Vari-L Company, Inc. (“Vari-L”) was a company that designed, manufactured and marketed a range of signal processing components that were used in communications equipment and systems, such as cellular telephones and base stations, local area computer networks, and other applications. Vari-L was located at 4895 Peoria Street, Denver, Colorado 80239.

2. Vari-L was a publicly traded company, with its stock traded on the national market of the National Association of Securities Dealers’ Automated Quotation System (“NASDAQ”), an electronic trading system. Vari-L had shareholders located throughout the United States, including in the District of Colorado.

3. As a public company, Vari-L was required to comply with regulations of the United States Securities and Exchange Commission (“SEC”). Those regulations are designed to protect members of the investing public by, among other things, ensuring that a company’s financial information is accurately recorded and disclosed to the investing public.

4. Under those regulations, Vari-L and its personnel had a duty, among other requirements to: (a) maintain books and records that accurately and fairly reflect the company’s business transactions; (b) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that the company’s transactions were recorded as necessary to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles (“GAAP”); and (c) file with the SEC quarterly reports (on Form 10-QSB) and annual reports (on Form 10-KSB), which included reliable financial statements. The Forms 10-QSB included unaudited financial statements, and the Forms 10-KSB included audited financial statements.

5. Between 1987 and 1995, the defendant, SARAH HUME, was employed at Vari-L in various positions, including, accounting manager, controller, and consultant to the controller. From about September 1995 through her resignation in or about May 2000 at Vari-L, SARAH HUME held the positions of controller and briefly, consultant to the controller. SARAH HUME’s duties during her employment included supervising accounting department employees; posting and maintaining the financial books and records of Vari-L; and preparing the financial statements of the company for inclusion in the quarterly and annual filings of Vari-L with the SEC, as required under Section 13 or 15 (d) of the Securities Exchange Act of 1934.

II. OVERVIEW OF FALSITIES IN VARI-L'S BOOKS AND RECORDS

6. From at least January 1997 through December 1999, Vari-L maintained false books and records that reflected two types of improper revenue, namely: (1) Ship in Place ("SIP") and (2) Bill in Place ("BIP"). Vari-L personnel used these two methods of recording revenue to assist them in their management of earnings, and to achieve certain earnings levels fraudulently.

7. "Ship in Place" revenue involved the recording of customer sales invoices for products that were at some stage of the manufacturing process but had not been completed or shipped to the customer by the end of the accounting period. SIP invoices were created but were not sent to the customer, and were held in Vari-L files as back-up documentation for the accounting entries. SIP "revenue" was not legitimate revenue under GAAP because the revenue had not yet been earned, and thus could not properly be recorded as revenue in Vari-L's internal books, or included as revenue within filings by Vari-L to the SEC.

8. "Bill in Place" revenue involved the recording of customer sales invoices for products that were not manufactured. In some instances, BIP invoices were created but were not sent to the customer for payment. BIP invoices for nonexistent revenue were held in the Vari-L files as back-up documentation for the accounting entries. BIP "revenue" was not legitimate revenue under GAAP and thus could not properly be recorded as revenue in Vari-L's internal books or included as revenue within filings by Vari-L to the SEC.

9. SIP and BIP amounts were recorded each quarter as part of Vari-L's management of earnings. SIP and BIP amounts were reversed off the books and re-recorded each quarter to ensure accounts receivable, which were pledged as collateral with various financial institutions, were listed as current.

SIP, BIP and SEC Filings for the period ending 12/31/97

10. On or about 12/31/97, at the direction of certain Vari-L management, defendant SARAH HUME caused the recording of SIP revenue on the books of Vari-L for the accounting period ending 12/31/97, in the approximate amount of \$787,000. On or about 1/1/98 through 1/16/98, at the direction of certain Vari-L management, defendant SARAH HUME caused the recording of BIP revenue on the books of Vari-L for the accounting period ending 12/31/97, in the amount of \$1,332,976.

SIP and BIP for the period ending 3/31/98

11. On or about 1/13/98, defendant SARAH HUME caused the reversal of SIP revenue on the books of Vari-L in the approximate amount of \$787,000. On or about 1/31/98 through 3/31/98, defendant SARAH HUME caused the reversal of BIP revenue on the books of Vari-L in the amount of \$1,296,251. On or about 3/31/98, at the direction of certain Vari-L management, defendant SARAH HUME caused the recording of SIP revenue on the books of Vari-L in the approximate amount of \$469,000. On or about 3/31/98, SARAH HUME directed and caused the recording of BIP revenue on the books of Vari-L in the amount of \$1,296,251.

SIP and BIP for the period ending 6/30/98

12. On or about 4/15/98, defendant SARAH HUME caused the reversal of SIP revenue on the books of Vari-L in the approximate amount of \$469,000. On or about 6/30/98, defendant SARAH HUME caused the reversal of BIP revenue on the books of Vari-L in the amount of \$1,209,128. On or about 6/30/98, at the direction of certain Vari-L management, defendant SARAH HUME caused the recording of SIP revenue on the books of Vari-L in the approximate amount of \$816,000. On or about 6/30/98, SARAH HUME caused the recording of BIP revenue on the books of Vari-L in the amount of \$1,209,128.

SIP and BIP for the period ending 9/30/98

13. On or about 7/21/98, defendant SARAH HUME caused the reversal of SIP revenue on the books of Vari-L in the approximate amount of \$816,000. On or about 9/30/98, defendant SARAH HUME caused the reversal of BIP revenue on the books of Vari-L in the amount of \$1,209,128. On or about 9/30/98, at the direction of certain Vari-L management, defendant SARAH HUME caused the recording in SIP revenue on the books of Vari-L in the approximate amount of \$556,000. On or about 9/30/98, defendant SARAH HUME caused the recording of BIP revenue on the books of Vari-L in the amount of \$1,333,028.

SIP and BIP for the period ending 12/31/98

14. On or about 10/31/98, defendant SARAH HUME caused the reversal of SIP revenue on the books of Vari-L in the approximate amount of \$556,000. On or about 12/12/98, defendant SARAH HUME caused the reversal of BIP revenue on the books of Vari-L in the amount of \$1,333,028.

15. Specifically, defendant SARAH HUME reversed the \$1,333,028 in BIP revenue on the books of Vari-L into an asset account on the balance sheet entitled "M&E Clearing" (e.g., machinery and equipment cleaning). On 12/31/98, defendant SARAH HUME caused the recording of an additional non-existent BIP on the books of Vari-L in the amount of \$250,000. The \$250,000 was recorded against the M&E Clearing account. On or about 12/31/98, defendant SARAH HUME caused an adjusting journal entry, to move \$1,082,976 from the M&E Clearing account to the Machinery & Equipment balance sheet account on the books of Vari-L.

COUNT I
15 U.S.C. §§ 78m(b)(2)(A); 78m(b)(5), and 78ff;
17 C.F.R. § 240.13b2-1 [False books and records]
18 U.S.C. § 2 [Aiding and Abetting and Causing an Act to be Done]

16. Paragraphs 1 through 15 are realleged as though fully set forth herein.

17. From at least December 1997 through December 1999, in the District of Colorado, defendant SARAH HUME, and others, knowingly and wilfully falsified and caused to be falsified books, records, and accounts of Vari-L. Specifically, defendant SARAH HUME knowingly and wilfully falsified and caused to be falsified Vari-L's revenue on its accounting records, and later converted such falsely claimed revenue into a fixed asset, as described in ¶¶ 10 - 15, above. The foregoing acts were in violation of Title 15, United States Code, Sections 78m(b)(2)(A), 78m(b)(5) and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-1, and Title 18, United States Code, Section 2.

Respectfully submitted,

John W. Suthers
United States Attorney

by: Patricia W. Davies
Assistant United States Attorney

DEFENDANT: SARAH HUME

DOB: 8/22/48

ADDRESS: 23940 E. 26th Avenue, Aurora, CO 80019

LOCATION OF OFFENSE: Aurora, CO

OFFENSE: 15 U.S.C. §§ 78m(b)(2)(A); 78m(b)(5); and 78ff,
17 C.F.R. § 240.13b2-1 (False statements in books and records);
18 U.S.C. § 2 (Aiding & abetting/Causing an Act to be Done)

PENALTY: For each violation of 15 U.S.C. §§ 78m(b)(2)(A); 78m(b)(5); and
78ff, and 17 C.F.R. § 240.13b2-1:

NMT 10 years imprisonment; NMT \$1,000,000 fine, or both; not
more than 3 years supervised release; and \$100 special assessment
fee.¹

AGENT: Inspector George Allen
US Postal Inspection Service

SA Kevin Knierim
Federal Bureau of Investigation

AUTHORIZED BY: Patricia W. Davies
Assistant U.S. Attorney

ESTIMATED TIME OF TRIAL:

X five days or more

THE GOVERNMENT

X will not seek detention in this case

The statutory presumption of detention **is not** applicable to this defendant.

¹By amendments enacted in July 2002, the statutory maximum penalty was increased to not more than 20 years imprisonment; not more than a \$5,000,000 fine, or both. However, due to *ex post facto* considerations, the government believes that the applicable penalties for this case are as stated above.